Herbalife Europe Limited

Annual report and financial statements

Registered number 03162901

31 December 2022

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Officers and professional advisors

DIRECTORS

P. Kambanaros
X. Richart-Pintor
J. Segal

SECRETARY

c/o TMF Group
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London
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E14 5LB

SOLICITORS

Covington and Burling LLP, Brussels
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B-1040 Brussels

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
United Kingdom
CF10 3PW

Strategic report

The directors present their strategic report of the company for the year ended 31 December 2022.

Principal activities

Herbalife Europe Limited provides administrative and finance services to other companies within the Herbalife Group.

Principal risks and uncertainties

The company incurs costs and recharges administrative expenses to other group entities at a constant margin. The administration expenses recharged exclude share based payments movements to the income statement of £2,264,289 (2021: £2,384,118) and include the net amount for shares exercised during the year. As such the directors do not foresee any significant risks or uncertainties provided that Herbalife countries continue to operate within those markets to which Herbalife Europe Limited provides its services. Refer to the directors' report for more details on the exposure and how the company manages and mitigates those risks.

Although in May 2023, the World Health Organization declared the COVID-19 no longer constitutes a public health emergency of international concern, along with some relaxation of pandemic related constrains in late 2022, considerable uncertainty still surrounds the COVID-19 pandemic, its potential effects and the extent and effectiveness of government responses to the pandemic. The Company has responded to COVID-19 pandemic conditions by adapting how it communicates with, services, and transacts with our Members and our Members have similarly adapted their DMOs and other activities. Shipping for home delivery has become the primary distribution channel. Members have continued to turn further to social media to carry out their sales and oversight activities. These adaptations have been successful in limiting the adverse impact of the pandemic in 2022 and the Company believes that pandemic conditions may have been a contributing factor in the motivation and focus of the Members, leading to sales volume increases during the pandemic. Nevertheless, due to the fact that that the Company is considered as belonging to the category of "essential" businesses (selling nutrition products) and the source of financing of the Company's activity is own equity, Directors do not currently see direct risks to the Company's operations and ability to continue as a going concern.

At the end of February 2022, Russia and Ukraine entered into a military conflict. The global response to Russia's violations of international law and aggression against Ukraine has been to impose extensive sanctions and restrictions on business. The overall impact of recent developments has been reflected in increased volatility in financial and commodity markets and other economic consequences. The Company assessed direct business risks, including the adverse effects of economic sanctions imposed on Russia, business interruptions (including supply chains), increased cyber-attacks, the risk of breaches of legal and regulatory rules, and many others, and assessed that their direct impact on the Company is currently insignificant.

Considering the specificity of the operations and the source of financing of the Company's activity (mainly own equity), we do not currently see any direct risk to the Company's ability to continue as a going concern. We also currently have no information from the Ultimate Parent Company about plans to reduce the scale of the Company's operations due to the impact of COVID-19 (Coronavirus) or Russian invasion on Ukraine, however to provide comfort the company's trading parent, Herbalife (U.K.) Limited has provided confirmation to the company that it will, for a period of 12 months from the date of these financial statements, provide financial support to the company if it is required to enable the company to meet its financial obligations as they fall due. We will continue to monitor the potential impact and will take all possible steps to mitigate any adverse effects on the Company.

Results and business review

Overview

Herbalife Europe Limited is the central EMEA office of the Herbalife Group and its income is generated from service fees to affiliated companies.

Current year revenues increased by 9% from £28,706,826 (2021) to £29,729,519 for the company, representing an increase in the costs recharged.

During 2022, the company recorded exchange gain amounting to £1,564,230 (2021: £363,712) resulting from Non Resident Royalty Payments made in US Dollars.

Current year profit after taxation increased from a profit for the 2021 financial year of £1,590,392 to a profit for the 2022 financial year of £2,118,447.

Strategic report (continued)

Results and business review (continued)

Overview (continued)

The net assets of the company at 31 December 2022 were £11,621,503 (2021: £5,756,569).

Objectives and strategy

Herbalife Europe Limited provides administrative and finance services to other companies within the Herbalife Group. The range of service is determined by agreements with other Herbalife entities.

Performance and Key Performance Indicators (KPIs)

The KPIs are managed at a group level by Herbalife Ltd. (formerly known as Herbalife Nutrition Ltd.) and are assessed within the Herbalife Ltd. consolidated financial statements. These KPIs are related to revenue and profit levels for the year. A key factor in the industry's strong global revenue growth is the personal interaction involved in direct selling. Independent consultants can customise their sales pitches to end customers and can offer flexibility as to the time and location of the sale. In addition, since consultants often use the products themselves and sell to friends, relatives, or acquaintances, the benefit of personal testimony combined with pre-existing relationships help to improve the perception of the products and also increase the likelihood of a sale.

On January 31st, 2020 U.K. formally exited the European Union. Till the end of the 2020 there was a transition period during which the British government was in negotiation with EU to determinate the terms of the U.K.'s exit. The group's management assessed that the Brexit direct impact on the Company is currently insignificant due to the specificity of the operations. The Management will continue to closely monitor the situation and will take all possible steps to mitigate any adverse effects on the Company.

On behalf of the board

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United Kingdom
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Paul Kambanaros
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Paul Kambanaros
Director

08 September 2023

Directors' report

The directors present the directors' report and the audited financial statements of the company for the year ended 31 December 2022.

Results and dividends	**£**
Retained earnings as at 1st January 2022	5,756,568
Profit for the financial year	2,118,447
Net share-based payments movement through equity	3,746,487
Retained earnings at 31st December 2022	**11,621,502**

Dividend

During the year the directors did not recommend the payment of dividend *(2021: £nil).*

Future developments

The company intends to continue provision of administrative and finance services to other companies within the Herbalife Group.

Political and Charitable Donations

The company made nil political and charitable donations in 2022 (2021: *£nil*).

Employees

Our policy is to support our people by training, career development and opportunities for promotion. We believe in an open management approach and close consultation on matters of concern to our staff. Information is shared on the company's performance which, together with performance related bonuses, encourages staff involvement. The company's policy provides that disabled persons, whether registered or not, shall be considered for employment, training and career development having regard to their aptitude and abilities.

Directors and directors' interests

The directors who held office during the year were as follows:

P. Kambanaros
X Richart-Pintor
J. Segal

Directors' Indemnities

For the purposes of the Companies Act 2006, Herbalife Ltd., the ultimate parent undertaking provides indemnity insurance for the company's directors and company secretary for qualifying third party provisions. This insurance was in place for the full year ended 31 December 2022 and remains in place at the date of signing of these financial statements.

Independent Auditors

Pursuant to Section 487 of the Companies Act 2006, the independent auditors will be deemed to be re-appointed and PricewaterhouseCoopers LLP will therefore continue in office.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' Report *(continued)*

Financial risk management

The company incurs costs and recharges administrative expenses (excluding share based payments) to other group entities at a constant margin. As such the directors do not foresee any principal risks or uncertainties provided that Herbalife countries continue to operate within those markets to which Herbalife Europe Limited provides its services. Current assets and liabilities due from / to parties external to the Herbalife Group are largely held by the company's affiliated entities and therefore the company does not bear any significant price, cash flow, credit or liquidity risk from direct transactions with parties external to the Herbalife Group. The company has limited exposure to foreign exchange risks. Herbalife Europe Limited services the non-resident royalty payment process on behalf of other Herbalife Group entities, which results in the high volume of the transactions denominated in the foreign currencies. However, the impact of these transactions on the net profit of the company is minimal, as any foreign exchange gains and losses are recharged to another Herbalife Group company – Herbalife International of America, Inc.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

DocuSigned by:
Paul Kambanaros
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Paul Kambanaros
Director

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08 September 2023

Independent auditors' report to the members of Herbalife Europe Limited

Report on the audit of the financial statements

Opinion

In our opinion, Herbalife Europe Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2022; the Income statement and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to non-compliance with tax legislation and the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

- enquiries of management including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- reviewing relevant meeting minutes, including those of the Board; and

- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations where any such journal entries were identified.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jason Clarke (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Cardiff

08 September 2023

Income statement
for the year ended 31 December 2022

	Note	**2022**	2021
		£	**£**
Revenue	*3*	**29,729,519**	28,706,826
Other income		**42,065**	67,031
Administrative expenses		**(27,262,661)**	(26,722,057)
Operating profit	*4*	**2,508,923**	2,051,800
Finance income	*7*	**15,642**	15,267
Finance costs	*8*	**(20,699)**	(32,907)
Profit before taxation		**2,503,866**	2,034,160
Income tax expense	*9*	**(385,419)**	(443,768)
Profit for the financial year		**2,118,447**	1,590,392

All amounts derive from continuing operations.

The notes on pages 13 to 32 form an integral part of these financial statements. There is no recognised other comprehensive income for the year other than the profit for the financial year shown above and therefore no separate statement of comprehensive income has been presented.

Statement of financial position
at 31 December 2022

	Note	**2022**	2021
		£	£
Fixed assets			
Intangible assets	*10*	**308,595**	339,594
Tangible assets	*11*	**192,532**	437,489
Right-of-use assets	*12*	**895,383**	436,497
Debtors – amounts receivable after more than one year	*13*	**3,055,265**	3,030,538
		4,451,775	4,244,118
Current assets			
Trade and other receivables	*14*	**18,531,803**	18,463,749
Cash and cash equivalents		**7,984,137**	3,955,896
		26,515,940	22,419,645
Creditors: amounts falling due within one year	*15*	**(18,019,032)**	(20,167,250)
Net current assets		**8,496,908**	2,252,395
Total assets less current liabilities		**12,948,683**	6,496,513
Provisions for liabilities	*17*	**(669,301)**	(652,595)
Non-current lease liabilities	*12*	**(657,879)**	(87,349)
Net assets		**11,621,503**	5,756,569
Capital and reserves			
Called up share capital	*19*	**1**	1
Retained earnings		**11,621,502**	5,756,568
Total shareholders' funds		**11,621,503**	5,756,569

The notes on pages 13 to 32 form an integral part of these financial statements.

The financial statements on pages 10 to 32 were approved by the Board of Directors on 08 September 2023 and signed on its behalf by:

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Paul Kambanaros
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Paul Kambanaros
Director

Statement of changes in equity
For the year ended 31 December 2022

	Called up Share capital £	Retained earnings £	Total shareholders' funds £
Balance at 1 January 2021	1	3,592,981	3,592,982
Profit for the financial year	-	1,590,392	1,590,392
Total transactions through equity			
Credit relating to equity-settled share-based payments	-	2,384,118	2,384,118
Charge from parent for equity-settled share-based payments	-	(1,672,852)	(1,672,852)
Deferred tax on share-based payment transactions	-	(138,071)	(138,071)
	-	573,195	573,195
Balance at 31 December 2021	**1**	**5,756,568**	**5,756,569**
Balance at 1 January 2022	1	5,756,568	5,756,569
Profit for the financial year	-	2,118,447	2,118,447
Total transactions through equity			
Credit relating to equity-settled share-based payments	-	2,264,289	2,264,289
Charge from parent for equity-settled share-based payments	-	2,515,195	2,515,195
Deferred tax on share-based payment transactions	-	(1,032,997)	(1,032,997)
Balance at 31 December 2022	**1**	**11,621,502**	**11,621,503**

The notes on pages 13 to 32 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

1.1 Summary of significant accounting policies

Basis of preparation

Herbalife Europe Limited (the "company") is a private limited company limited by shares and incorporated and domiciled in the United Kingdom, registered in England. Herbalife Europe Limited provides administrative and finance services to other companies within the Herbalife Group.

The company's immediate parent company is Herbalife (U.K.) Limited, a company incorporated in the United Kingdom. The company's ultimate parent company, Herbalife Ltd. includes the company in its consolidated financial statements. The consolidated financial statements of Herbalife Ltd. are prepared in accordance with US Generally Accepted Accounting Principles and are available to the public and may be obtained from Herbalife International, Inc., 800 West Olympic Boulevard, Suite 406, Los Angeles, California 90015, USA.

These financial statements are prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")* and the Companies Act 2006 as applicable to companies using FRS 101.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- IAS 7 Statement of cash flow and related notes;
- Paragraph 79 (a) (iv) of IAS 1 Comparative period reconciliations for share capital;
- IAS 24 Disclosures in respect of transactions with wholly owned subsidiaries' to disclose related party transactions entered into between two or more members of a group;
- Paragraph 134-136 of IAS 1 Disclosures in respect of capital management;
- Paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and the effects of new but not yet effective IFRSs;
- Paragraph 17 of IAS 24 Disclosures in respect of the compensation of Key Management Personnel.
- The requirements of paragraph 52, the second sentence of paragraph 89 and paragraphs 90, 91 and 93 of IFRS 16 Leases.
- Paragraph 18A of IAS 24, Related party disclosures, related to key management services provided by a separate management entity.

As the consolidated financial statements of Herbalife Ltd. include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Paragraph 45 (b) and 46 to 52 of IFRS 2 Share Based Payments in respect of group settled share based payments;
- The disclosures required by IFRS 7 and IFRS 13 paragraphs 91 to 99 regarding financial instrument disclosures have not been provided apart from those which are relevant for the financial instruments which are held at fair value and are neither held as part of trading portfolio nor derivatives.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.1 Summary of significant accounting policies (continued)

Measurement convention

The financial statements are prepared under the historical cost convention.

Going concern

The financial statements have been prepared on the going concern basis, as management believe that the company has the financial resources to continue to settle its debts as they fall due for the foreseeable future as stated in the strategic report, however to provide further comfort the company's trading parent, Herbalife (U.K.) Limited has provided confirmation to the company that it will, for a period of 12 months from the date of these financial statements, provide financial support to the company if it is required to enable the company to meet its financial obligations as they fall due.

Foreign currency

The functional currency and presentational currency is GBP. Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors Trade and other creditors are measured at amortised costs. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank overdrafts. In the balance sheet, bank overdrafts are shown in current liabilities.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.1 Summary of significant accounting policies (continued)

Intangible Assets

Intangible assets consist of software application used in the business. Intangible assets are amortized over their estimated useful life which is the period over which the assets are expected to generate economic benefits for the company. Useful life applied for intangible asset used by the company is 5 years. Amortization of intangible assets is charged to administrative expenses

Tangible Assets

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Asset retirement obligation 10 years
- Leasehold improvements 3-5 years (depending on lease contract terms)
- Plant and equipment 3 - 5 years
- Fixtures and fittings 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

For financial asset not carried at fair value through the income statement the expected credit losses are calculated at initial recognition taking into consideration the possible defaults over the life of the financial asset.

Non-financial assets

The carrying amounts of the company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.1 Summary of significant accounting policies (continued)

Share capital

Ordinary shares are classified as equity.

Employee benefits

Defined contribution pension plans

A defined contribution pension plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

Certain employees of Herbalife Europe Limited are granted options to acquire shares in the parent company, Herbalife Ltd. The options have a 5 year vesting period from date of grant. Options vest evenly every quarter from the date of grant and can be exercised upon vesting. Employees have 10 years from the date of grant to exercise the options. There are also restricted stock units (RSU) and stock appreciation rights (SAR) which vest over a 3 year period.

Herbalife Europe Limited has entered into an agreement with Herbalife Ltd. such that on an exercise of options and the issue of shares by Herbalife Ltd. to its employees, Herbalife Europe Limited will pay a cash amount to Herbalife Ltd. equal to the difference between the current market price of the shares and the fair value. Such amounts are accrued over the period from the grant to vesting.

Refer to note 17 for details.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Asset retirement obligation (ARO)

This reserve relates to dilapidation obligation on buildings subject to leases (see note 16). An asset is recognised in property, plant and equipment on initial recognition of the obligation and amortised over the lease term.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.1 Summary of significant accounting policies (continued)

Revenue

Revenue represents amounts, exclusive of value added tax, arising from providing services to Herbalife Group companies. A cost-plus service fee arrangement is in place. Revenue is recognised when services are provided.

Expenses

Finance income and costs

Finance income and finance costs are recognised in the income statement as they accrue, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Leases

A lease is defined as a contract, or part of a contract that conveys the right to use an asset for a period of time in exchange for consideration. To apply this definition the assessment of the below aspects should be taken into consideration:

- the contract contains an identified asset,
- the company has the right to obtain substantially all the economic benefits from use of the identified asset.

A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less and containing no purchase option, low-value lease is a lease where the underlying asset has a low value when new. Payments associated with short-term leases and low- value assets are recognized on a straight-line basis as an expense in profit or loss.

Assets and liabilities arising from lease are initially measured on a present value basis. Lease liability include the net present value of the lease payments reduced by lease incentive receivable. The lease payments are discounted using the lessee's incremental borrowing rate. These payments are allocated between principal and finance cost.

Right of use assets are measured at the amount equal to initial evaluation of lease liabilities. ROU assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis and the expenses hit the depreciation expenses category in income statement.

Notes to the financial statements (continued)

1. Accounting policies (continued)

1.2 Changes in accounting policy and disclosures

New and amended standards adopted by the Company

The company has, where applicable, applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

- Amendments to IFRS 3, with reference to the conceptual framework (applicable to annual periods beginning on or after 1 January 2022).
- Amendment to IFRS 16 – Property, Plant and Equipment: proceeds before intended use: Requires amounts received from selling items produced while the company is preparing the asset for its intended use to be recognised in profit or loss, and not as an adjustment to the cost of the asset (applicable to annual periods beginning on or after 1 January 2022).
- Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract: Specifies which costs to include when assessing whether a contract will be loss-making (applicable to annual periods beginning on or after 1 January 2022).

The adoption of the above amendments resulted in changes in accounting policies but did not have an impact on the amounts recognised in prior periods and current periods and is not expected to affect future periods.

2. Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the company uses a Black-Scholes-Merton model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 17.

Provision for asset retirement obligation

The company has recognised a provision for asset retirement obligations associated with an office rented under an operating lease. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the leasehold improvements from the site and the expected timing of those costs. The company estimates that the costs would be realised in 10 years' time upon the liability inception date and calculates the provision using the discounted cash flow method and a discount rate of 2.82%.

Lease accounting

The lease payments are discounted using the interest rate implicit in the lease. If the rate cannot be readily determined the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of use asset in a similar economic environment with similar terms, security and conditions. To discount the lease payment the company used the average incremental borrowing rate of lease inception.

Notes to the financial statements (continued)

3. Revenue

The analysis of revenue by geographical market is as follows:

	2022 £	2021 £
America	**6,639,629**	7,174,002
Europe	**23,088,331**	21,529,761
Rest of the world	**1,559**	3,063
	29,729,519	28,706,826

Within the Europe:	2022 £	2021 £
UK	**2,009,275**	2,142,982
EEA countries	**21,079,775**	18,836,682
Other	**(719)**	550,097
	23,088,331	21,529,761

All revenues relate to services provided to other companies within the Herbalife Group.

Notes to the financial statements (continued)

4. Operating profit

Operating profit is stated after charging/(crediting):

	2022	2021
	£	£
Depreciation and amortisation owned assets	**410,451**	566,404
Depreciation charges of right of use assets	**436,801**	444,988
Bad debts*	**-**	-
Exchange gains/(losses)	**1,564,230**	(363,712)
Low- value lease assets and short-term lease	**7,902**	8,105

*During the financial year ended 31 December 2022, Herbalife Europe Limited did not recognised any bad debts charges (2021: £nil).

Auditors' remuneration:

	2022	2021
	£	£
Amounts receivable by the company's auditors' and their associates in respect of:		
Audit of financial statements of the company	**23,371**	22,153
Non- audit services	**-**	18,997

Notes to the financial statements (continued)

5. Staff numbers and costs

The monthly average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2022	2021
Directors	**3**	3
Management, finance and secretarial	**126**	148
	129	151

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£	£
Wages and salaries	**12,491,639**	14,315,791
Share-based payments	**2,275,109**	2,384,118
Social security costs	**1,175,319**	1,999,401
Other pension costs *(see note 18)*	**591,535**	636,947
	16,533,602	19,336,257

6. Directors' remuneration

	2022	2021
	£	£
Aggregate emoluments	**810,694**	758,833
Share option scheme – gain on exercises during the financial year	**159,902**	175,348
Long term incentive bonus	**-**	-
Directors' emoluments	**970,596**	934,181

The aggregate of emoluments of the highest paid director was £295,981 (2021: £263,350). The share options exercised by the highest paid director were £76,837 (2021: £89,795). The amount paid under a defined contribution scheme was £12,648 (2021: £12,261).

All directors are receiving the share-based payment. Similar to the 2021, Directors also exercised shares options during 2022.

Notes to the financial statements (continued)

7. Finance income

	2022	2021
	£	£
Bank interest income	**4**	-
Intercompany interest income	**15,638**	15,267
Total finance income	**15,642**	15,267

8. Finance costs

	2022	2021
	£	£
Bank interest costs	**1,317**	5,682
HMRC interest paid	**1,381**	2,295
Vendor late payment fee interest	**70**	70
Intercompany Interest	**-**	67
Interest on lease liability	**17,932**	24,793
Total finance costs	**20,699**	32,907

Notes to the financial statements (continued)

9. Income tax expense

Recognized in profit or loss

	2022	2021
	£	£
UK corporation tax		
Current tax on profit for the year	**519,796**	429,642
Adjustments in respect of prior period	**-**	90,557
Withholding tax	**-**	5
Total current tax	**519,796**	520,204
Deferred tax *(see note 16)*	**(134,377)**	(76,436)
Tax charge on profit	**385,419**	443,768

Tax expense included in equity

	2022	2021
	£	£
Deferred tax recognised directly in equity *(see note 16)*	**(1,032,997)**	(138,071)
Total tax recognised directly in equity	**(1,032,997)**	(138,071)

Notes to the financial statements (continued)

9 Income tax expense (continued)

Reconciliation of effective tax rate

	2022	2021
	£	£
Profit before taxation	**2,503,866**	2,034,160
Tax using the UK corporation tax rate of 25% (2021: 19%)	**473,077**	386,490
Impact of different rate for deferred tax	**(103,260)**	(54,485)
Relief for share options exercised during the year	**4,270**	12,722
Items disallowable for corporation tax	**11,332**	8,484
2021 Transfer pricing adjustments: UK-UK	**-**	-
Adjustments in respect of prior period	**-**	90,557
Total tax expense	**385,419**	443,768

In the 2021 Budget, it was announced that the UK Corporation Tax main rate will increase from 19% to 25% from 1 April 2023 on profits over £250,000. The rate for small profits under £50,000 will remain at 19% and there will be relief for businesses with profits under £250,000. Finance Act 2021 was substantively enacted on 24 May 2021 including the rate change to 25% from 1 April 2023. As this rate change had been substantively enacted at the balance sheet date, a rate of tax of 25% has been reflected in the deferred tax workings where applicable..

10. Intangible Assets

	Software	Total
	£	£
Cost:		
At 1 January 2022	2,076,713	2,076,713
Additions	50,442	50,442
At 31 December 2022	**2,127,155**	**2,127,155**
Accumulated amortisation		
At 1 January 2022	1,737,119	1,737,119
Amortisation	81,441	81,441
At 31 December 2022	**1,818,560**	**1,818,560**
Net book value		
At 31 December 2021	339,594	339,594
At 31 December 2022	**308,595**	**308,595**

The software intangible asset includes the company's communication application which was created by the external development firm for the company's specific requirements. The asset is carried at £308,595 (2021: £339,594) on a straight-line basis.

Notes to the financial statements *(continued)*

11. Tangible assets

	Asset Retirement Obligation £	Leasehold Improvements £	Plant and equipment £	Fixtures & fittings £	Total £
Cost					
Balance at 1 January 2021	301,652	860,828	1,199,419	346,381	2,708,280
Additions	259,946	-	105,595	-	365,541
Disposals	-	-	(208,086)	(2,516)	(210,602)
Balance at 31 December 2021	561,598	860,828	1,096,928	343,865	2,863,219
Balance at 1 January 2022	561,598	860,828	1,096,928	343,865	2,863,219
Additions	-	30,360	76,080	-	106,440
Disposals	-	-	(552,173)	-	(552,173)
Balance at 31 December 2022	561,598	891,188	620,835	343,865	2,417,486
Accumulated Depreciation					
Balance at 1 January 2021	242,330	818,402	955,953	346,381	2,363,066
Depreciation charge for the financial year	119,801	26,367	121,084	-	267,252
Disposals	-	-	(202,072)	(2,516)	(204,588)
Balance at 31 December 2021	362,131	844,769	874,965	343,865	2,425,730
Balance at 1 January 2022	362,131	844,769	874,965	343,865	2,425,730
Depreciation charge for the financial year	199,467	16,921	112,622	-	329,012
Disposals	-	-	(529,784)	-	(529,784)
Balance at 31 December 2022	561,598	861,690	457,803	343,865	2,224,958
Net book value					
At 31 December 2021	199,467	16,059	221,963	-	437,489
At 31 December 2022	**-**	**29,498**	**163,032**	**-**	**192,530**

Notes to the financial statements (continued)

12. Right of use assets and lease liabilities

The statement of financial positions shows the following amount related to leases:

Right of use assets:

	2022	2021
	£	£
Buildings	**895,383**	436,497

	Buildings	**Total**
	£	**£**
Cost		
Balance at 1 January 2021	1,231,901	1,231,901
Additions	129,535	129,535
Disposals	-	-
Balance at 31 December 2021	1,361,436	1,361,436
Balance at 1 January 2022	1,361,436	1,361,436
Additions	895,687	895,687
Disposals	-	-
Balance at 31 December 2022	2,257,123	2,257,123
Accumulated Depreciation		
Balance at 1 January 2021	479,951	479,951
Depreciation charge for the financial year	444,988	444,988
Disposals	-	-
Balance at 31 December 2021	924,939	924,939
Balance at 1 January 2022	924,939	924,939
Depreciation charge for the financial year	436,801	436,801
Balance at 31 December 2022	1,361,740	1,361,740
Net book value		
At 31 December 2021	436,497	436,497
At 31 December 2022	**895,383**	**895,383**

In the current reporting period, the Company has renewed one of the office leases contracts till September 2025, as well as a lease for office printers contacts till August 2026. The lease extension resulted in a recognition of Right-of-use asset and corresponding lease liability of £847,947, and the printers lease resulted in the recognition of Right of use asset and corresponding lease liability of £47,741.

Notes to the financial statements (continued)

12. Right of use assets and lease liabilities (continued)

The rights of use assets were measured at the amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2022. The depreciation of right of use assets is disclosed under note 4.

Amounts relating to leases recognised for the reporting period:

The following amounts are recognised in profit or loss.

	2022 £
Depreciation charge for the right-of-use assets - Buildings	436,801
Interest expense on lease liabilities (included in finance cost)	17,932
Total expenses related to leases	**454,733**

Lease liabilities:

	2022 £	2021 £
Current	269,893	367,276
Non-current	657,879	87,349
	927,772	454,625

The company lease office buildings. Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

The liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate from the date of the lease inception.

Notes to the financial statements (continued)

12. Right of use assets and lease liabilities (continued)

	Lease Liabilities £
Balance at 1 January 2021	(769,988)
Cash flows	469,691
Additions – new lease contracts	(129,535)
Termination of the lease contract	-
Interests accrued (see note 8)	(24,793)
Balance at 31 December 2021	**(454,625)**
Balance at 1 January 2022	(454,625)
Cash flows	440,472
Additions – new lease contracts	(895,687)
Termination of the lease contract	-
Interests accrued (see note 8)	(17,932)
Balance at 31 December 2022	**(927,772)**

13. Debtors – amounts receivable after more than one year

	2022 £	2021 £
Prepayments and accrued income	**13,869**	1,881,694
Deferred tax assets (see note 16)	**250,224**	1,148,844
Other Non-Current Assets	**2,791,172**	-
	3,055,265	3,030,538

All amounts are fall due after more than one. Prepayments and accrued income of £13,868 (2021: £1,881,694) represent amounts paid in advance for event organization that was rescheduled to 2023.

14. Trade and other receivables

	2022 £	2021 £
Amounts owed by group undertakings	**15,823,425**	16,189,891
Other debtors	**284,266**	154,897
Prepayments and accrued income	**2,424,112**	2,118,961
	18,531,803	18,463,749

All amounts are receivable within one year. Amounts owed by group undertakings are receivable on demand and unsecured.

Notes to the financial statements (continued)

15. Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	1,198,104	1,082,258
Amounts owed to group undertakings	13,943,241	13,169,893
Corporation tax payable	269,312	154,642
Other creditors including taxation and social security	1,819,040	4,772,888
Accruals and deferred income	519,442	620,293
Current lease liability (see note 12)	269,893	367,276
	18,019,032	20,167,250

Amounts owed to group undertakings are interest free and repayable on demand. Short-term creditors are unsecured.

16. Deferred tax assets and liabilities

Movement in deferred tax during the year

	1 January 2022	Recognised in income	Recognised in equity	31 December 2022
	£	£	£	£
Property, plant and equipment	(79,968)	-	-	(79,968)
Employee benefits	4,546	-	-	4,546
Share-based payments	1,075,806	284,547	(1,032,997)	327,356
Share-based payment NI part	148,460	(150,170)	-	(1,710)
	1,148,844	134,377	(1,032,997)	250,224

Movement in deferred tax during the prior year

	1 January 2021	Recognised in income	Recognised in equity	31 December 2021
	£	£	£	£
Property, plant and equipment	(105,109)	25,141	-	(79,968)
Employee benefits	5,493	(947)	-	4,546
Share-based payments	1,151,227	62,650	(138,071)	1,075,806
Share-based payment NI part	158,868	(10,408)	-	148,460
	1,210,479	76,436	(138,071)	1,148,844

Deferred tax asset is expected to be recoverable after more than one year. The deferred tax asset balance relates mainly to vested but not exercised employees' share-based payments.

On 3 March 2021, the UK Budget 2021 announcements included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. Additionally, the Government announced that the corporation tax rate would remain unchanged at 19% for financial year 2021-2022 (rather than reducing to 17%, as previously enacted).

Notes to the financial statements (continued)

17. Provisions for liabilities

	Asset retirement obligation £
Balance at 1 January 2022	**652,595**
Addition to provision in the year	**-**
Provisions made during the year	**16,706**
Balance at 31 December 2022	**669,301**

This reserve relates to dilapidations to buildings subject to leases.

18. Employee benefits

Defined contribution plans

The company operates a defined contribution pension scheme. The pension cost charge for the financial year represents contributions payable by the company to the scheme and amounted to £591,535 (2021: £636,947).

Contributions amounting to £0 (2021: £23,926) were payable to the scheme and are included in creditors at the end of the year.

Employee share schemes

The share option programme allows employees to acquire shares of Herbalife Ltd. (the ultimate 'parent'). The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value is estimated on the date of the grant using the Black-Scholes-Merton option-pricing model. The expected term of the award is based on the simple average of the average vesting period and the life of the award because of the limited historical data. The expected volatility of the award is primarily based upon the historical volatility of Herbalife Ltd.'s common shares and it is validated against the volatility rates of a peer group of companies. The risk free interest rate is based on the implied yield on a U.S. Treasury zero-coupon issue with a remaining term equal to the expected term of the award. The amount recognised as an expense is adjusted to reflect the actual number of share options that have vested except where forfeiture is only due to share prices not achieving the threshold for vesting. To the extent that any monies are payable by Herbalife Europe Limited to its parent company in respect of share options granted, these amounts are accrued over the vesting period and included in the share based payments in the movement in reserves in the year and recorded as an inter-company liability, based on the difference between the exercise price and the share price at the balance sheet date. The net movement in respect of share based payments for 2022 was an increase of £4,779,484 (2021: an increase of £711,266).

When the shares are exercised, the parent will invoice the company and the actual cost will be reflected in the financial statements accordingly. The invoice is based on the difference between the market price of the share on the date of exercise and the fair value of the option.

Share based payments

The Individuals have been granted share options which vest over a five-year period at a fixed option cost, Restricted Stock Units (RSU) which vest annually over a three-year period with no option cost and Stock Appreciation Rights (SAR) whereby shares are given based upon the appreciation of the shares above the grant price.

Notes to the financial statements (continued)

18. Employee benefits (continued)

The weighted average exercise prices of share options are as follows:

	Weighted average exercise price	Weighted average exercise price
	2022	2021
	£	£
Outstanding at the end of the year	**6.04**	7.97

The weighted average share price (less option cost) at the date of exercise of share options exercised during the year was £42.09 *(2021: £ 29.12).*

The options outstanding at the end of the year have a varying contractual life up to year 2025.

Further details of share options can be seen in the financial statements of Herbalife Ltd. which may be obtained from Herbalife International, Inc., 800 West Olympic Boulevard, Suite 406, Los Angeles, California 90015, USA.

19. Called up share capital

Called up Share capital

	2022	2021
	£	£
Authorised, allotted, called up and fully paid		
1 (2021: 1) Ordinary share of £1 each	**1**	1

Notes to the financial statements (continued)

20. Subsequent event note

On March 8, 2023, the Company signed the amendment to the Intercompany Loan agreement with Herbalife International of America, Inc. from March 10, 2021. The aggregate principal amount of the Loan Facility in no event shall be greater than Twenty-Eight Million United States Dollars (USD 28,000,000.00) and would have been due on March 7, 2024. The applicable rate will be equal to 2.30% per annum plus the TERM SOFR interest rate plus the pre-determined three (3) month spread ("TSFR 3M INDEX") published by Bloomberg (or any successor rate to such index as determined by mutual agreement of the Lender and Borrower), as in effect on the last day of the previous fiscal quarter; provided, that the Loan Interest Rate shall in no event be less than 2.30%. In the event there is an amount outstanding by the due date, the terms of the loan agreement will be extended.

21. Immediate and ultimate parent company

The company's immediate parent company is Herbalife (U.K.) Limited, a company incorporated in the United Kingdom.

The company's ultimate parent company and controlling party is Herbalife Ltd., a company incorporated in the Cayman Islands. This is the largest and smallest group of undertakings for which group financial statement are drawn up and of which the company is a member. A copy of the group financial statements may be obtained from Herbalife International, Inc., 800 West Olympic Boulevard, Suite 406, Los Angeles, California 90015, USA.